

Message Text

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51

ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-03 PRS-01 USIA-12 INT-08 L-03 H-02 RSR-01

/174 W

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R 171455 Z MAY 73

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 8043

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 1606

E. O. 11652: N/ A

TAGS: EFIN, SF

SUBJECT: SA GOLD AND FOREIGN EXCHANGE RESERVES

REF: PRETORIA 1538

CAPE TOWN ALSO FOR EMBASSY

1. SA RESERVE BANK HOLDINGS REPORTED FOR WEEK ENDING
MAY 11 AS FOLLOWS (IN MILLION RAND):

GOLD	560.8 (PLUS 0.1)
FOREIGN EXCHANGE	592.3 (PLUS 10.6)
TOTAL	1,153.1 (PLUS 10.7)

INCREASE IN GOLD HOLDINGS REPRESENTS APPROXIMATELY 0.6
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PERCENT OF ESTIMATED AVERAGE WEEKLY PRODUCTION.

2. REPORTEDLY RESPONDING TO ALLEGATIONS IN OVERSEAS PRESS, BANK SPOKESMEN HAVE EMPHASIZED THAT INCREASES IN FREE MARKET PRICES ARE NOT (RPT NOT) RESULT OF SA WITHHOLDING GOLD FROM MARKET. RATHER, SPECULATIVE DEMAND IS SEEN AS OUTPACING SUPPLY EVEN WITH SA MARKETING ALMOST ALL OF PRODUCTION.

3. THERE IS INCREASING PRESS SPECULATION THAT RAND MIGHT BE REVALUED. SA FINANCIAL GAZETTE REPORTS THAT WHEN ASKED, MINFIN DIEDERICH'S RESPONDED POSSIBILITY " COULD NOT (RPT NOT) BE RULED OUT." LOGIC FOR REVALUATION SAID TO BE EFFECTIVE DEPRECIATION OF RAND AS RESULT OF TECHNICAL LINK WITH DOLLAR AND BOUYANT GOLD PRICES WHICH MEANS CONTINUING IMPROVEMENT IN BALANCE OF PAYMENTS AND RESERVE POSITION. ONE ARTICLE ESTIMATES THAT IF GOLD PRICE STAYS ABOVE \$100 PER OUNCE, NET GOLD OUTPUT ITEM IN BALANCE OF PAYMENTS ACCOUNT WOULD INCREASE FROM R1.6 (\$1.65) BILLION IN 1972 TO SOMETHING ON THE ORDER OF R2 (\$2.85) BILLION THIS YEAR. APPRECIATION ALSO VIEWED AS WAY OF COUNTERING " IMPORTED INFLATION".

4. COMMENT: ROUGH EMBASSY CALCULATION BASED ON PUBLIC (TELEGRAPHIC) QUOTATION IN PRESS INDICATED THAT DURING PERIOD MARCH 31 - MAY 16, RAND HAS DEPRECIATED 2.3 PERCENT AGAINST STERLING, 1.2 PERCENT AGAINST THE MARK, 0.5 PERCENT AGAINST THE YEN, AND 0.3 PERCENT AGAINST THE FRENCH FRANC. THIS DOES NOT (RPT NOT) APPEAR TO BE SUBSTANTIAL ENOUGH TO JUSTIFY REVALUATION OF RAND. IN ADDITION, APPRECIATION OF RAND WOULD BE COUNTER TO CURRENT SAG EXPORT PROMOTION PROGRAM. SHOULD BE NOTED, HOWEVER, THAT GOVERNMENT COMING UNDER INCREASING PRESSURE TO DO SOMETHING ABOUT RAPIDLY INCREASING DOMESTIC COST OF LIVING AND REVALUATION MAY BE POPULAR WAY OUT. ALSO WOULD REDISTRIBUTE ABNORMALLY HIGH PROFITS NOW ACCRUING EXCLUSIVELY TO MINING INDUSTRY.
HURD

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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TAGS: EFIN, SF
To: BERN
CAPE TOWN
DURBAN
EB
JOHANNESBURG
LONDON
SECSTATE WASHDC

Type: TE

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